

Message Text

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ORIGIN EB-08

INFO OCT-01 ARA-06 ISO-00 CIAE-00 COME-00 DODE-00
DOTE-00 FMC-01 INR-07 NSAE-00 CG-00 DLOS-09
OES-06 L-03 /041 R

DRAFTED BY EB/TCA/MA:JAPURNELL;BST
APPROVED BY EB/TCA/MA:RKBANK
ARA/ECP:DTAHER(PHONE)
MARAD:RBOURDON(PHONE)
FMC:RHULL(PHONE)
ARA/AND:AALLITTO(INFO)
-----260607Z 115661 /12
R 252204Z APR 77
FM SECSTATE WASHDC
TO AMEMBASSY QUITO

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E.O. 11652: N/A

TAGS: EWWT, EC

SUBJECT: POTENTIAL SHIPPING DISPUTE

REF: A) QUITO 2653; B) QUITO 2439; C) STATE 082721;
D) STATE 080108

1. WE ARRANGED FOR MEETING WITH COMANDANTE RAMIREZ AT
DEPARTMENT ON APRIL 21, TO INCLUDE REPRESENTATIVES FROM
STATE, THE MARITIME ADMINISTRATION, AND THE FEDERAL
MARITIME COMMISSION. RAMIREZ FAILED TO APPEAR ON APRIL 21,
BUT HE AND A COLLEAGUE CALLED ON DEPUTY ASSISTANT SECRETARY
CASEY AT MARAD ON APRIL 22 WITHOUT A PRIOR APPOINTMENT.

2. DESPITE SCHEDULING, OR LACK THEREOF, THE MEETING
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AT MARAD WENT WELL. THE ECUADOREANS SEEMED GENUINELY
INTERESTED IN IMPLEMENTING RESOLUTIONS 3/77 AND 6/77 IN
A WAY THAT WOULD NOT CAUSE FRICTION WITH THE U.S. (IN
THIS CONNECTION THEY SEEMED AWARE OF RECENT EFFORTS BY
ARGENTINA AND BRAZIL TO ISSUE DISCRIMINATORY DECREES THAT
WOULD HAVE IMPACTED UNFAVORABLY U.S. AND THIRD-FLAG
SHIPPING LINES SERVING THE U.S. OCEAN COMMERCE, AND THAT

AFTER CONSULTATIONS WITH USG OFFICIALS, BOTH ARGENTINA
AND BRAZIL MODIFIED THEIR DECREES.)

3. RAMIREZ AND HIS COLLEAGUE ALSO APPEARED TO BE IMPRESSED
BY EXTENT OF USG FINANCIAL EXPOSURE IN BUILDING OF
TWO VESSELS IN U.S. SHIPYARDS, WHICH WILL PERMIT CCT TO
CONVERT TO A U.S.-FLAG LINE AND TO RECEIVE USG SUBSIDIES.
THEY GRASPED URGENCY AND IMPORTANCE OF PROBLEM BUT SAID
NOTHING SPECIFIC ABOUT RESOLVING IT.

4. IN RESPECT TO POINTS RAISED REFTEL A, WE AGREE WITH
CCT THAT BEST SHORT RUN SOLUTION WOULD BE AN ASSOCIATION
BETWEEN CCT AND TRANSNAVES. THIS WOULD PERMIT CCT TO RE-
MAIN IN THE TRADE UNTIL ITS U.S.-BUILT VESSELS ENTER
SERVICE. (CCT COULD CONVERT ITS CURRENT FLEET TO THE
U.S.-FLAG, BUT THEN WOULD HAVE TO HIRE U.S. SEAMEN, AND
PAY THEM U.S. WAGES. HOWEVER, AS ITS PRESENT VESSELS
WERE NOT BUILT IN THE U.S., CCT WOULD NOT BE ELIGIBLE
FOR OPERATING DIFFERENTIAL SUBSIDY (ODS) TO OFFSET THE
DIFFERENCE BETWEEN U.S. AND FOREIGN WAGESCALES. WHEN ITS
U.S.-BUILT VESSELS ENTER SERVICE, AND CCT RECEIVES ODS, IT
WILL OF COURSE OPERATE UNDER THE U.S.-FLAG.)

5. DEPARTMENT HAS STRONG DOUBTS THAT AN ASSOCIATION WITH
A COLOMBIAN-FLAG LINE WOULD BE A SUITABLE ARRANGEMENT.
IT WOULD APPEAR LEGALLY TENUOUS, AND BY USING THE BACK
DOOR TO REMAIN IN TRADE, CCT MIGHT LEAVE ITSELF OPEN TO
OTHER, UNDUE PRESSURES. HOWEVER, DEPARTMENT FULLY SUPPORTS
EMBASSY'S EFFORTS TO CHANGE THE REQUIREMENT THAT U.S.-
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FLAG LINES BE CONFERENCE MEMBERS.

6. ACTION REQUESTED: EMBASSY REQUESTED TO REPORT MORE
FULLY ON WHAT ECUADOREANS MEAN BY QUOTE THIRD-COUNTRY
ENCROACHMENT UNQUOTE, AND WHETHER ANY THIRD-FLAG LINES ARE

ACTIVELY CONSIDERING ENTRY INTO U.S./ECUADOR TRADES. AS
WE POINTED OUT IN REFTEL D, EXCLUSION OF THIRD-FLAG LINES
(WHETHER ACTUAL OR POTENTIAL PARTICIPANTS IN TRADE) OR A U.S.-
FLAG LINE WOULD PROBABLY BE CONSIDERED A QUOTE CONDITION
UNFAVORABLE UNQUOTE BY THE FMC: THE FMC IS CHARGED
WITH REGULATING OCEAN-BORNE FOREIGN LINER COMMERCE OF THE

U.S. AND MUST CONSIDER CONSUMER AND SHIPPER INTERESTS
AS WELL AS SHIPPING INTERESTS.
VANCE

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NNN

Message Attributes

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Disposition Case Number: n/a
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Disposition Date: 22 May 2009
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Disposition History: n/a
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